MCI Telecommunications Corporation
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

MCI

DOCKET FILE COPY ORIGINAL

ORIGINAL

RECEIVED

JUN 29 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

June 29, 1995

Mr. William Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

Re: In the Matter of End User Common Line Charges, Notice of Proposed Rulemaking, CC Docket No. 95-72, FCC 95-212

Dear Mr. Caton:

Enclosed herewith for filing are the original and four (4) copies of MCI Telecommunications Corporation's Comments, regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Comments, furnished for such purpose and remit same to the bearer.

Sincerely,

Christopher Bennett
Analyst

No. of Copies rec'd 0+4
List A B C D E

ORIGINAL DOCKET FILE COPY ORIGINAl

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

RECEIVED

JUN 2 9 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

COMMENTS

In the Matter of: End User Common Line Charges	CC Docket No. 95-72

I. Introduction

MCI Telecommunications Corporation (MCI), pursuant to Sections 1.415 and 1.419 of the Commission's Rules, submits its comments in response to the Notice of Proposed Rulemaking (NPRM) in the above-captioned docket.[1] MCI recommends that the Commission allow the local exchange companies (LECs) to charge one subscriber loop charge (SLC) per integrated services digital network (ISDN) facility. MCI's support of a per facility approach is conditioned on the continuation of rules that prevent an increase the carrier common line (CCL) charges interexchange carriers (IXCs) pay.

II. Background

Currently, MCI estimates that there is between \$25-\$70 million in access costs that are dependent on the

[1] In the Matter of End User Common Line Charges, Notice of Proposed Rulemaking, CC Docket No. 95-72, FCC 95-212, released May 30, 1995 (NPRM).

Commission's decision in this NPRM.[2] Under price caps, this range represents potential SLC revenue that the Regional Bell Operating Companies would charge to the end user if the SLC charge is recovered from each channel of an ISDN line.

In the Notice, the Commission announced its intention to explore alternative applications of SLCs to ISDN lines, due to a concern that its current rules may result in large SLC payments from ISDN customers that would artificially depress the ISDN market. The Commission provided the following "framework" for: (1) Commission rules must accommodate new technology, provided there is a "sound basis in public policy;"[3] (2) new rules should avoid reductions in the level of non-traffic sensitive (NTS) local loop recovery;[4] (3) SLC reductions will cause LECs to seek more CCL revenue;[5] (4) reductions in large business SLC "must be carefully examined;"[6] and, (5) general developments in the interstate access market must be considered, with examination of support flows, monopoly market rate structures, competition and universal service.[7]

---

[2] See Appendix 1.

[3] NPRM, p. 9, para. 17.

[4] Id., ppg. 9-10, para. 18.

[5] Id.

[6] Id.

[7] Id., ppg. 10-11, paras. 19-20.

MCI presently sells ISDN to end users as a means of providing integrated digital voice, data and/or imaging over a single industry standard facility. MCI has realized a 65 percent compound annual growth in ISDN service sales. MCI has found that ISDN growth contributes to efficient usage of the national telecommunications network -- finding specifically that basic rate interface (BRI) line usage is 70 percent long distance. MCI believes that broader ISDN deployment should lead to increased long distance network usage, and should the LECs pass through the benefits of those economies, lower access rates.

III. Discussion

A. There is nothing on the record that indicates the ISDN subscriber loop charge is different from other subscriber loop charges

MCI is not aware of any persuasive evidence that the loop facilities being used to provide ISDN are substantially different from ordinary telephone loops. Absent any physical differences in the plant, there is no reason that the SLC for ISDN facilities should be treated differently from other SLCs. LECs should be permitted to charge a single SLC per ISDN facility under the new rule. This result would promote growth of ISDN.

B. CCL should not increase, regardless of the option selected by the Commission

MCI agrees with the Commission's statement that CCL should not increase as a result of the Commission's decision about ISDN SLCs.[8] Any increase in CCL should be barred as a matter of course, because it would either prevent or delay potential price decreases that might be brought about by long distance competition and lower LEC access rates. MCI asks that the Commission flatly reject any proposal that seeks to damage the public interest by including a solution that could raise the CCL paid by IXCs.

MCI's recommendation requires no change in the Commission's existing price caps rules. Under the current common line formula, any change in the SLC revenue requirement results in an equal change in the common line revenue requirement. The difference between the two, which is the carrier common line requirement, remains the same. The Commission should take no action to alter this result, because to do so would conflict with the Commission's goal of lower interstate toll rates and universal service preservation.

C. A Joint Board is not needed

In the MTS/WATS Market Structure Joint Board Proceeding, the Commission "asked the Joint Board to prepare recommendations" concerning a number of issues -- including

[8] Id., p. 10, para 20.

subscriber line charges.[9] As the Joint Board itself noted, the Commission's decision to refer SLCs to a Joint Board was a voluntary referral. Thus, while the Commission solicited state involvement, it recognized that state involvement was not mandatory under the Communications Act. In this Notice the Commission continues to exercise its jurisdiction over the issue of SLCs -- this time for ISDN. MCI does not believe that the public would benefit from the delay that might be incurred by a voluntary Joint Board referral. Therefore, in the interest of removing any uncertainty this Notice might have on the ISDN marketplace, MCI suggests that the Commission not refer the issue of ISDN SLCs to a Joint Board.

IV. Conclusion

For the foregoing reasons, the Commission should start anew and, absent a presentation on the record, allow the LECs to recover the ISDN SLC on the same per facility basis allowed for other SLCs. Additionally, the Commission should

---

9 MTS/WATS Market Structure (Joint Board Recommendation), 57 RR 2d 267, 272 (Joint Board 1984). See also MTS/WATS Market Structure (Subscriber Line Charge Increases), 62 RR 2d 1409, 1420 (1987) (in which the Commission voluntarily adopts Joint Board recommendations that "further all four of the long standing goals of this proceeding -- preserving universal service, promoting economic efficiency, eliminating service pricing discrimination, and deterring uneconomic bypass -- and to achieve a proper balance among these goals.")

reject any alternatives that might increase CCL, as being contrary to the public interest.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION

BY: ______________________

Christopher Bennett
Analyst
1801 Pennsylvania Avenue, NW
Washington, DC 20006
(202) 887-2402
Dated: June 29, 1995

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on June 29, 1995.

Christopher Bennett
Analyst
1801 Pennsylvania Avenue, NW
Washington, DC 20006
(202) 887-2402

APPENDIX 1		Base	Rates at			Base Period	Base Period	Base Period
Source: TRPs	RBOC	Demand	Last PCI	Current	Proposed	Demand x Rates	Demand x Rates	Demand x Rates
	End User Common Line	Period	Update	Rates	Rates	last PCI Update	Current	Proposed
100	Multiline Business EUCL (may be composite rate)	376,373,605	$5.455631	$5.455631	$5.458732	$2,053,355,600	$2,053,355,600	$2,054,522,723
110	Res & Single Line Bus. EUCL	930,315,207	$3.497397	$3.497397	$3.496217	$3,253,682,062	$3,253,682,062	$3,252,583,801
120	Lifeline EUCL	44,166,580	$3.451273	$3.451273	$3.429170	$152,430,913	$152,430,913	$151,454,695
130	Special Access Surcharge	734,412	$25.000000	$25.000000	$25.000000	$18,360,300	$18,360,300	$18,360,300
	Sub-total (EUCL only)	1,351,589,804				5,477,828,874	5,477,828,874	5,476,921,519
			rates are arithmetic averages					
	Carrier Common Line							
140	Terminating CCL Prem.	179,727,644,259	$0.008564	$0.008539	$0.007045	$1,539,232,477	$1,534,739,286	$1,266,203,720
150	Terminating CCL Non-Prem.	191,301,214	$0.003860	$0.003849	$0.003177	$738,436	$736,236	$607,787
160	Originating CCL Prem.	132,566,838,891	$0.007706	$0.007800	$0.006660	$1,021,576,631	$1,034,004,772	$882,911,718
170	Originating CCL Non-Prem.	82,023,900	$0.003474	$0.003516	$0.003003	$284,946	$288,412	$246,348
	Sub-total	312,567,808,264				2,561,832,491	2,569,768,707	2,149,969,572
180	Other Common Line	NA	NA	NA	NA	$29,158,202	$29,158,202	$28,588,181
190	Total Basket	NA				8,039,661,365	8,047,597,581	7,626,891,092

SOURCE: 1993:1994 Statistics of Common Carrier Report — All RBOCs

ISDN facility/channel TOGGLE	0	(1 = no incremental SLC)
ISDN facilities (based on # control lines)		(0 = incremental SLC added to demand below)
Basic Rate (2B + D channel)	250,888	
Primary Rate (23B + D channel)	2,858	
TOTAL FACILITIES	253,746	
ISDN channels (based on (B+D) x 3/24 chan. / facility		
Basic Rate channels (facility x 3 channels)	752,664	assumes all BRI res/small bus
Primary Rate channels (facility x 24 channels)	68,592	assumes all PRI multi-line bus
TOTAL ISDN CHANNELS	821,256	

INCREMENTAL SLC CHARGES	567,510	$5,451,563,815	Orig. SLC Rev. post-price CAPs
[ADD ONLY TO TOTAL PRICE CAP #S FOR LECS]		$5,476,921,519	SLC Rev. w/addl. ISDN channel charge
Basic Rate channels (facility x 3 channels)	501,776	$25,357,705	SLC chan - Orig. SLC (ISDN SLCs x 12mos.)
Primary Rate channels (facility x 24 channels)	65,734	$44.68	avg. SLC charge per incremental channel
check	567,510		SLC revenue / incremental SLC channels
	0		

APPENDIX 1 (continued)

MCI used price cap data for the RBOCs (only) to calculate the monthly incremental SLC value of the Commission charging for each ISDN channel as $2.1 million, based on 1993 ISDN lines data. MCI determined the range of $25 - $70 million by first multiplying the $2.1 million times 12 months to get the lower bound. MCI calculated the upper bound by determining the implied 66 percent annual ISDN line growth (expected growth from beginning to end of 1995) rate in Bell Atlantic's waiver petition "...90,000 ISDN lines with more than 150,000 lines expected by the end of 1995." <u>See</u> Bell Atlantic Waiver Petition, p. 9. The 66 percent annual growth rate was applied to the number of ISDN control channels shown in the Commission's 1993-1994 Statistics of Communications Common Carriers Report, which showed 250.9 thousand BRI control channels, which MCI understands would be accompanied by two communications or B channels, and 2.9 thousand PRI control channels, which MCI understands would be accompanied by 23 communications or B channels -- totaling 253.7 thousand lines. Assuming the 66 percent growth rate for this base of lines resulted in a projected increase from 253.7 in 1993 to 704.2 thousand lines in 1995. The resultant percentage mix of BRI and PRI lines was held constant at 1993 levels, and multiplied by the average for all RBOC monthly rates for SLCs. This resulted in a monthly SLC revenue estimate of $5.8 million. Multiplying $5.8 million times 12 produces $70 million in potential SLC revenues from ISDN charges.

CERTIFICATE OF SERVICE

I, Stan Miller, do hereby certify that copies of the foregoing Comments, were sent via first class mail, postage paid, to the following on this 29th day of June 1995.

Kathleen Wallman**
Chief, Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, DC 20554

Kathleen Levitz**
Federal Communications Commission
Room 500
1919 M Street NW
Washington, DC

Geraldine Matise**
Acting Chief, Tariff Division
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, DC 20554

Ann Stevens**
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, DC 20554

David Nall **
Deputy Chief, Tariff Division
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, DC 20554

Judy Nitsche**
Federal Communications Commission
Room 514
1919 M Street, N.W.
Washington, DC 20554

Peggy Reitzel **
Federal Communications Commission
Room 544
1919 M Street, NW
Washington, DC 20554

ITS**
Federal Communications Commission
1919 M Street N.W.
Washington, DC 20554

Hand Delivered**

Stan Miller

Stan Miller